

OFFICE OF THE AUDITOR GENERAL

245

DEPARTMENT OF HEALTH
CALIFORNIA OCCUPATIONAL SAFETY
AND HEALTH PLAN

OCTOBER 1974

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October 7, 1974

The Honorable Speaker of the Assembly
The Honorable President of the Senate
The Honorable Members of the Senate and the
Assembly of the Legislature of California

Members:

Transmitted herewith is the Auditor General's report pertaining to the Department of Health's operations related to the state's Occupational Safety and Health Plan under an interagency agreement with the State Department of Industrial Relations. Under a grant from the U.S. Department of Labor, the state is to be reimbursed 50 percent of its allowable costs relating to the occupational health program.

Charges for laboratory services provided by the Department of Health's Southern California Laboratory were overstated by \$71,483 in fiscal year 1973-74 in billings to the Department of Industrial Relations. On the contrary, charges for technical services provided by the Department of Health's Occupational Health Section were understated by approximately \$40,600 in billings to the Department of Industrial Relations.

Two items of laboratory equipment, costing \$59,750, were purchased by the Department of Health in accordance with its \$165,400 laboratory equipment budget as approved by the U.S. Department of Labor. The balance of such equipment purchases made by the Department of Health were for items not approved by the U.S. Department of Labor in the original approved equipment budget. In accordance with the terms of the federal grant, any purchases representing changes from the original equipment budget require prior approval from the U.S. Department of Labor before such purchases are to be made.

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As a result of such unapproved purchases, it was necessary for the Department of Health to transfer funds from the approved budget for contractual services in order to pay for the equipment.

Since incorrect amounts were charged by the Department of Health to the Department of Industrial Relations for technical services related to occupational health, and since laboratory equipment - purchases were made by the Department of Health without the required prior approval of the U.S. Department of Labor, the Auditor General has concluded that the Department of Labor could disallow some of the costs incurred. If that occurs, the state would lose some federal reimbursements.

The Auditor General has recommended that correct amounts be charged by the Department of Health to the Department of Industrial Relations for laboratory and other technical services related to occupational health and that equipment purchases representing charges from the budget approved by the U.S. Department of Labor not be made by the Department of Health without first obtaining the required approval by the U.S. Department of Labor.

The following information was also noted:

1. For fiscal year 1973-74, 66 positions were budgeted in the Occupational Health Section but only 40 positions were filled.
2. In the Air and Industrial Hygiene Laboratory personnel were performing other duties in addition to their occupational health duties. Under the terms of the grant, the positions are to be filled by employees assigned full-time to the occupational health program.
3. From February through July 1974, the Southern California Laboratory processed over 50 percent of its samples in two days or less while the Air and Industrial Hygiene Laboratory processed only 16 percent of its samples in two days or less.

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4. As a result of a 41.4 percent rate being used to allocate administrative costs of the Department of Health, the occupational health program was charged with \$432,330 in fiscal year 1973-74. While this rate appears to be high, it was approved by the U.S. Department of Health, Education and Welfare.

Respectfully submitted,



VINCENT THOMAS, Chairman
Joint Legislative Audit Committee

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SUMMARY OF FINDING
AND RECOMMENDATION

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FINDING

Incorrect amounts were charged in fiscal year 1973-74 by the Department of Health to the Department of Industrial Relations for technical services related to occupational health, and changes were made in laboratory equipment purchased by the Department of Health from that budgeted without obtaining required prior approval for such changes.

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RECOMMENDATION

We recommend that correct amounts be charged by the Department of Health to the Department of Industrial Relations for technical services related to occupational health and that changes not be made by the Department of Health, in the purchase of laboratory equipment without obtaining required prior approval by the U. S. Department of Labor.

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INTRODUCTION

In response to a legislative request, we have reviewed selected aspects of the Department of Health's operations related to the state's occupational health program under an interagency agreement with the Department of Industrial Relations. Organizational units of the Department of Health which we reviewed are the Occupational Health Section of the Environmental Health Services Program, and the Air and Industrial Hygiene Laboratory in Berkeley and the Southern California Laboratory, both under the Bioenvironmental Laboratory Section of the Laboratory Services Program.

The federal Occupational Safety and Health Act of 1970 (PL 91-596) became effective in April 1971. The purpose of this act was, "To assure safe and healthful working conditions for working men and women; by authorizing enforcement of standards developed under the Act; by assisting and encouraging the States in their efforts to assure safe and healthful working conditions; by providing for research, information, education, and training in the field of occupational safety and health; and for other purposes."

The state's Agriculture and Services Agency has been designated as the single state agency responsible for coordinating the implementation in California of the Occupational Safety and Health Act of 1970.

California's Occupational Safety and Health Plan was approved by the United States Department of Labor on April 24, 1973, for a three-year

developmental period, and received funding under a federal grant beginning June 1, 1973. Under the grant, 50 percent of the allowable state costs for implementing the plan are to be reimbursed by the U. S. Department of Labor. At the end of the three years, the Department of Labor will decide whether the state has adequately implemented its plan, or whether the federal government should take over any or all of the occupational safety and health programs in California.

Within the Agriculture and Services Agency, the Division of Industrial Safety in the Department of Industrial Relations has sole authority for enforcing occupational safety and health standards and relevant laws. The division obtains technical assistance from the Department of Health in matters related to health. Through an interagency agreement, the Department of Industrial Relations reimburses the Department of Health for the total cost of its Occupational Health Section, and for any laboratory support provided by its Air and Industrial Hygiene Laboratory and Southern California Laboratory. Total cost reimbursed under the agreement could not and did not exceed \$2,482,000 for the fiscal year 1973-74.

The following schedule compares the 1973-74 budget for the Occupational Safety and Health Plan in the Department of Health, with the actual expenditures of the Department of Health billed as of August 23, 1974 to the Department of Industrial Relations for fiscal year 1973-74.

Actual Expenditures in Fiscal Year 1973-74
for the Occupational Safety and Health Plan
in the Department of Health
as Reported August 23, 1974

	Occupational Health <u>Section</u>	Air and Industrial <u>Lab</u>	Southern California <u>Lab</u>	<u>Total</u>	Original 1973-74 Budget for the Occupational Safety and Health Plan in the Department of Health
Personal Services:					
Occupational Health Section	\$ 572,067			\$ 572,067	\$1,103,744
Air and Industrial Hygiene Lab		\$285,991		285,991	232,237
Southern California Lab			\$186,216	<u>186,216</u>	<u>220,228</u>
Total Personal Services				<u>\$1,044,274</u>	<u>\$1,556,209</u>
Travel	40,888	5,295	1,722	47,905	98,496
Supplies	12,481	14,732	11,015	38,228	60,000
Rent	38,556	7,348	7,677	53,581	-0-
Equipment	246,852	48,238	7,737	302,827	270,400
Program Overhead	12,216	5,171	5,059	22,446	-0-
Indirect Charges	236,836	118,401	77,093	432,330	428,912
Contractual Services				-0-	204,000
Other				-0-	32,000
Total Costs	<u>\$1,159,896</u>	<u>\$485,176</u>	<u>\$296,519</u>	<u>\$1,941,591</u>	<u>\$2,650,017</u>

FINDING

INCORRECT AMOUNTS WERE CHARGED IN FISCAL YEAR 1973-74 BY THE DEPARTMENT OF HEALTH TO THE DEPARTMENT OF INDUSTRIAL RELATIONS FOR TECHNICAL SERVICES RELATED TO OCCUPATIONAL HEALTH, AND CHANGES WERE MADE IN LABORATORY EQUIPMENT PURCHASED BY THE DEPARTMENT OF HEALTH FROM THAT BUDGETED WITHOUT OBTAINING REQUIRED PRIOR APPROVAL FOR SUCH CHANGES.

The Department of Health has overcharged the Department of Industrial Relations, under their interagency agreement, for technical services related to occupational health provided by the Southern California Laboratory, and has undercharged for such technical services provided by the Occupational Health Section. Also, the Department of Health made significant changes in its purchases of laboratory equipment from that budgeted without obtaining prior approval from the U. S. Department of Labor as required under the terms of the federal grant. These are discussed below.

Charges for Personnel Providing
Technical Services Were Overstated
By the Southern California Laboratory
and Understated by the Occupational
Health Section

Charges for laboratory services provided by the Southern California Laboratory were overstated by \$71,483 in fiscal year 1973-74. The Department of Health charged the Department of Industrial Relations \$296,519 for these services, based on budgetary data which showed that 16.8 of the 37.5 positions

in the laboratory, or 44.8 percent, were for support of the occupational health program. This 44.8 percent was then applied to the total cost of \$661,872 incurred for the laboratory during fiscal year 1973-74. However, the laboratory actually had only 25.9 positions filled during the year, and only 8.8, or 34 percent, of these were for the occupational health program. Thus, only 34 percent of the \$661,872 total cost for the year, or \$225,036, should have been charged to the program under the method used for allocating costs of the laboratory to various programs.

On the contrary, charges to the Department of Industrial Relations for technical services provided by the Occupational Health Section were understated by an estimated \$40,600 because the full cost was not included for two employees who performed services related to the occupational health program. These were the chief of the section and an assistant.

Prior Approval Was Not Obtained,
Even Though Required, for Changes
Made in Laboratory Equipment
Purchased from that Budgeted

The budget for laboratory equipment to be purchased by the Department of Health, as approved by the Department of Industrial Relations and the U. S. Department of Labor, contained ten items of laboratory equipment and accessories, plus miscellaneous office equipment, totaling an estimated \$165,400.

Only two of the items of laboratory equipment, plus miscellaneous office equipment, budgeted at \$76,100, were purchased at a cost of \$59,570.

The other eight items of laboratory equipment and accessories, budgeted at \$89,300, were not purchased. Instead, 11 different major items of laboratory equipment and accessories, plus other miscellaneous items, were purchased at an estimated cost of \$177,600.

To defray the additional cost of the laboratory equipment purchased, funds were transferred from the budgeted line items of "contractual services". The funds transferred had originally been included as part of the \$204,000 budgeted for the Department of Health to enter into agreements with local departments of public health to provide voluntary technical consultative support to the state program. No funds were actually used for local agency contracts, and no such agreements were entered into by the Department of Health.

Of the total \$237,170 of laboratory equipment purchased by the Department of Health, only \$176,619 was charged to the occupational health program. Equipment amounting to \$116,526 was purchased by the two laboratories and charged to the occupational health program based on the percentage of budgeted positions in each laboratory to be used for the program. These percentages were 48.6 for the Air and Industrial Hygiene Laboratory, and 44.8 for the Southern California Laboratory. Therefore, of the \$116,526, only \$55,975 was charged to the program. The remaining \$120,644 of laboratory equipment was purchased by the Occupational Health Section and charged to the program at its total cost.

None of these changes from the original equipment budget was approved by the U. S. Department of Labor as required under the terms of its grant for California's Occupational Safety and Health Plan.

Conclusion

Since incorrect amounts were charged by the Department of Health for technical services related to occupational health, and since changes were made in laboratory equipment purchased from that originally budgeted without required prior approval of the U. S. Department of Labor, the Department of Labor could disallow some of the costs incurred. If that occurs, the state will lose some federal reimbursements.

RECOMMENDATION

We recommend that correct amounts be charged by the Department of Health to the Department of Industrial Relations for technical services related to occupational health and that changes not be made by the Department of Health, in the purchase of laboratory equipment without obtaining required prior approval by the U. S. Department of Labor.

INFORMATION REQUESTED BY
THE LEGISLATURE

Staffing of the Occupational Health Section

For fiscal year 1973-74, 66 positions were budgeted for the Occupational Health Section of the Department of Health. However, the equivalent of only 40 full-time positions were filled during the fiscal year, at a total personal service cost of \$572,069.

Five employees not performing occupational health duties were paid from the program's funds during the early part of the year. For four of these employees, this apparently resulted from confusion following a re-organization of the Department of Health. We did not determine the cause for the other employee. However, in the final billing to the Department of Industrial Relations for services provided, the payroll expense was corrected by the Department of Health by deleting the salary of all the employees who did not perform occupational health duties.

Laboratory Services Provided To
The Occupational Health Section

The 1973-74 budget for laboratory services for the California Occupational Safety and Health Plan included funds for 17.5 positions in the Air and Industrial Hygiene Laboratory and 16.8 positions in the Southern California Laboratory. Under the application for the federal grant these positions were to be filled by employees assigned full-time to the occupational health program. In the Southern California Laboratory employees

were assigned full-time to the program. However, in the Air and Industrial Hygiene Laboratory, the personnel filling these positions performed services other than solely for occupational health duties. This latter practice may be in violation of the federal grant.

Early in the 1973-74 fiscal year, the industrial hygiene engineers in the northern part of the state were having difficulty in obtaining timely sample results from the Air and Industrial Hygiene Laboratory. According to the engineers, sample results are now being processed in a shorter time span. However, the turnover time for the Air and Industrial Hygiene Laboratory still does not compare favorably with the Southern California Laboratory. According to statistics of the Occupational Health Section, during the months of February through July 1974, the Southern California Laboratory processed over 50 percent of its samples in two or less work days, while the Air and Industrial Hygiene Laboratory processed only 16 percent of its samples in that short a period.

The managements of both of the laboratories and the Occupational Health Section are attempting to explain and rectify the differences between the two laboratories. They advised us that reasons for the differences could be the experience of the personnel requesting samples, the specifications of the desired sample results, or the availability of lab equipment.

The only significant procedural difference that we noted between the two laboratories during our review was that the Southern California Laboratory assigned personnel full-time to the program, while the Air and Industrial Hygiene Laboratory did not.

Allocation of Department of Health
Overhead Costs

Department of Health overhead costs allocated to the Occupational Health Section and the laboratories during fiscal year 1973-74 amounted to \$432,330. The amount to be allocated for fiscal year 1974-75 is budgeted at \$600,000.

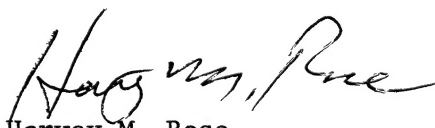
The \$432,330 charged to the occupational health program during 1973-74 is equal to 41.4 percent of the \$1,044,274 total direct personal services for the Occupational Health Section and the laboratories. This method was developed by the Department of Health to allocate its total \$21,456,000 cost for administration and auxiliary services provided to the various organizational units of the Department of Health. While the allocation rate of 41.4 percent appears to be high, it was approved by the U. S. Department of Health, Education and Welfare for contract purposes. However, we have not evaluated the reasonableness of this allocation.

The following schedule reflects the breakdown of the Department of Health overhead costs for the fiscal year 1973-74.

	<u>Total Overhead Costs In 1973-74 for The Department of Health</u>	<u>Overhead Costs Chargeable to The Occupational Health Program in 1973-74</u>
Personal Services	\$10,570,000	\$213,006
Operating Expense:		
General expense	4,390,000	88,467
Printing	826,000	16,644
Communications	3,371,000	67,916
Travel	233,000	4,700
Rent	375,000	7,566
Consultant Services	66,000	1,323
Data Processing	1,256,000	25,318
Other	<u>369,000</u>	<u>7,390</u>
Total Costs	<u>\$21,456,000</u>	<u>\$432,330</u>

SUMMARY OF COMMENTS OF THE
DEPARTMENT OF HEALTH OFFICIALS

1. The Department of Health will adjust its final billing to the Department of Industrial Relations for occupational health services provided in fiscal year 1973-74 to add the costs for personnel in the Occupational Health Section which were not previously charged to the program. The Department of Health will also adjust its final billing to increase the amounts for equipment purchased by the laboratories which previously were charged to the program at less than total cost.
2. The Department of Health is developing procedures for obtaining required prior approval from the United States Department of Labor for changes in equipment purchased from that budgeted.
3. The Department of Health does not believe that the additional time required for processing samples by the Air and Industrial Hygiene Laboratory has adversely affected the occupational health program.
4. Employees were not assigned full-time to the occupational health program by the Air and Industrial Hygiene Laboratory, since this laboratory has a larger pool of personnel than the Southern California Laboratory. This allows greater flexibility of assignments.


Harvey M. Rose
Auditor General

Date: October 4, 1974

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